

SECTION 3 OVERVIEW

from the

SECTION 3 GUIDEBOOK

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What Is Section 3?

On the most basic level, Section 3 is a local jobs initiative. Every year the U.S. Department of Housing and Urban Development (HUD) invests billions of federal dollars into distressed communities for projects designed to build and rehabilitate housing, improve roads, develop community centers, and otherwise assist families to achieve the American Dream.

The Section 3 regulation recognizes that HUD funding typically results in projects/activities that generate new employment, training, and contracting opportunities. These economic opportunities not only provide “bricks and mortar,” but can also positively impact the lives of local residents who live in the neighborhoods being redeveloped.

Section 3 of the Housing and Urban Development Act of 1968, {12U.S.C.1701u}(section3)} and implementing regulations at 24 C.F.R.135}, state that the purpose of Section 3, “ is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low-and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low-and very low-income persons.” The City of Madison and County of Dane Wisconsin fully embrace this definition of Section 3 and have set forth policies and procedures to "ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible be directed to low and very low income persons, and to business concerns which provide economic opportunities to low and very low income persons.”

Importance to the City of Madison and County of Dane

The City of Madison and the County of Dane, as formula grantees for federal community development funds, are required by HUD to develop and implement a Section 3 program which provides hiring and economic opportunities for low and very-low income persons, particularly those who are recipients of government assistance for housing and business concerns which provide economic opportunities to low-and very low income persons to achieve these objectives. The City of Madison and the County of Dane embrace the spirit and intent of their obligations under Section 3, and have set forth the following policies which are applicable to developers, contractors, subcontractors and others engaged in projects funded through the each municipality with funds (*meeting the respective established thresholds of \$200,000 and \$100,000 as defined in the following section*) sourced from the U. S. Department of Housing and Urban Development. These policies are discussed throughout the remainder of this guidebook.

Importance to Contractors

Section 3 Businesses and those Contractors that provide evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to Section 3 Business Concerns will benefit from:

- Getting preference when bidding on HUD funded community development and housing contracts;
- Outreach efforts to inform them of business opportunities;
- Greater exposure through listings on the City of Madison and Dane County directories.

Applicability

Section 3 applies to training, employment, contracting, and other economic opportunities arising in connection with HUD funded construction projects involving:

- Housing Construction
- Housing Reconstruction or Conversion
- Housing Rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement)
- Demolition
- Other public construction, i.e., roads, sewers, community centers, senior centers, etc.

Section 3 is triggered when the normal completion of construction and rehabilitation projects creates the need for new employment, contracting, or training opportunities.

The requirements of Section 3 apply to recipients of **HUD Community Planning and Development** funding exceeding \$200,000. Recipients include not only the City of Madison and Dane County, but the non-profit and for-profit organizations, municipalities, and quasi governmental organizations who receive contracts from the City of Madison and Dane County under the following programs:

- Community Development Block Grant (CDBG)
- Home Investment Partnership Program (HOME)
- Housing Opportunities for Persons with AIDS (HOPWA)
- Economic Development Initiative (EDI)
- Brownfield Economic Development Initiative (BEDI)
- Emergency Solutions Grants (ESG)
- CoC Homeless Assistance Grants
- University Partnership Grants
- Neighborhood Stabilization Program (NSP)
- Certain grants awarded under HUD Notices of Funding Availability (NOFAs)

NOTE: The requirements of Section 3 apply to the portion(s) of covered funding that were used for projects/activities involving housing construction, rehabilitation, demolition, or other public construction.

Contractors or subcontractors who receive contracts in excess of \$100,000 for Section 3 covered projects/activities are required to comply with the Section 3 regulations.

In addition, Section 3 applies to all recipients, contractors, and subcontractors performing work in connection with projects and activities funded by public and Indian housing assistance covered by Section 3 (i.e., Capital Fund Program), *regardless* of the amount of the contract or subcontract.

Section 3 applies to the entire covered project or activity regardless of whether the activity was fully or partially funded with covered assistance.

Goals

HUD considers recipients of covered funding to be in compliance with Section 3 if they meet the numerical goals set forth at 24 CFR Part 135.30. Specifically:

- a. 30 percent of the aggregate number of new hires shall be Section 3 residents;
- b. 10 percent of the total dollar amount of all covered construction contracts shall be awarded to Section 3 business concerns; and
- c. 3 percent of the total dollar amount of all covered non-construction contracts shall be awarded to Section 3 business concerns.